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IU International 1975 Annual Report to Investors

Financial Highlights

(In thousands, except per share data)

	1975	1974*	1973*
Revenues	$1,823,355	$1,981,703	$1,547,652
Net Earnings	$ 82,181	$ 87,640	$ 75,111
Earnings Per Share	$ 2.50	$ 2.68	$ 2.35
Dividends Per Common Share	$ .85	$ .80	$ .75
Shareholders' Equity Per Share	$ 17.81	$ 16.31	$ 14.37
Total Assets	$2,109,337	$1,984,654	$1,669,544
Return on Equity	15%	19%	18%

**Figures have been restated to conform with the new Financial Accounting Standard No. 8 concerning translation of foreign currency financial statements and to reflect the adoption of the equity method of accounting by C. Brewer and Company, Limited for its interest in a cooperative.*

IU International

IU International is a 51-year-old company which serves six major markets worldwide: ocean shipping, land transportation, distribution services, utility services, industrial products and services, and agribusiness products and services.

IU has approximately 35,000 employees and 38,000 shareholders around the globe.

Copies of IU's Form 10-K report to the Securities and Exchange Commission and the company's Facts & Figures Manual will be available on request from the Corporate Affairs Department at IU's Executive Offices, 1500 Walnut Street, Philadelphia, Pennsylvania 19102.

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To Our Shareholders:

In 1975 IU International had the second-best results in its 51-year history.

After five consecutive years of uninterrupted record growth, the company's earnings per share in 1975 declined seven per cent to $2.50, compared with $2.68 in 1974. Net earnings of $82.2 million were six per cent below the 1974 total of $87.6 million, while revenues of $1.82 billion compared with the record $1.98 billion of the previous year. IU's dividend record was maintained as 1975 marked the 31st consecutive year of continuous growth in per share payout. Dividends of 85 cents per share were paid on common stock last year.

The earnings contributions from three of our six business groups declined in 1975, while each of the other three groups increased its contribution. Ocean shipping and agribusiness each declined almost 75 per cent, and distribution services declined 28 per cent; utility services improved by 55 per cent, making it the largest contributor, and land transportation and industrial products and services improved by 17 per cent and 44 per cent, respectively.

Results for prior years have been restated in this report to conform with the new Financial Accounting Standard No. 8 concerning translation of foreign currency, and for the adoption of equity accounting by IU's 53 per cent-owned subsidiary, C. Brewer and Company, Limited, for its investment in the cooperative jointly owned by several Hawaiian sugar growers. In the future, as the Canadian and United States dollars move relative to each other, IU's quarterly and annual reports may reflect substantial gains or losses from such currency fluctuations. As explained in detail on page 20, this is unfortunate, since the gains and the losses are unlikely to be realized.

Simplification of the Company IU began reporting revenues and earnings contributions by line of business in its 1969 annual report. The strong internal growth and the acquisitions and divestments of the past six years have brought substantial changes to our business mix so that the company is not only much different, but also far less complex today than in 1969.

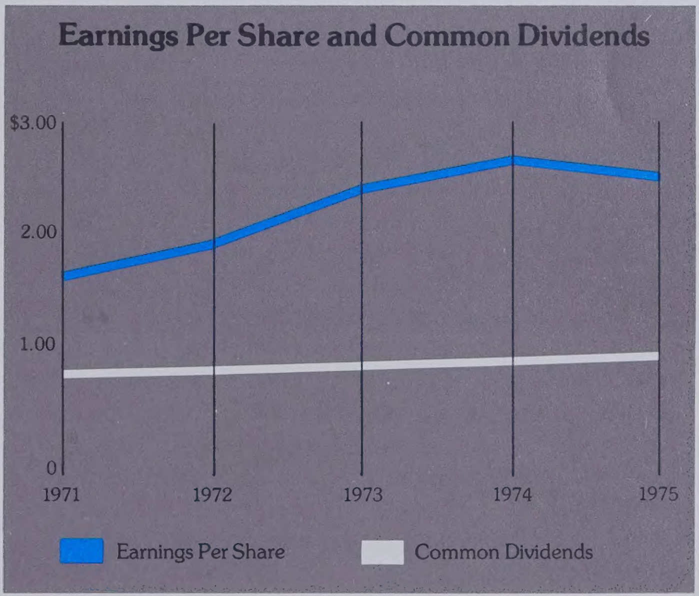
Beginning with this annual report, we will provide comparisons for six principal lines of business rather than eight. We will continue quarterly reporting on this basis. On pages 16-17 of this report the sources of revenues and earnings contributions are presented on a comparative basis for the past five years.

In 1975 IU made further significant progress in the simplification of its operations through the divestment of units that did not serve long-term objectives. The divestment program is now essentially completed. Since the beginning of 1970 IU has generated approximately $500 million from divestments and applied most of the proceeds to investment in the growth of its major businesses.

During 1975 IU received $114 million in cash and recorded a gain of $13.5 million net of taxes from divestments. The businesses involved in these transactions had sales of $240 million and net earnings of $7.7 million in 1974.

Capital Requirements As in the past, during 1975 all of IU's major financings were at the subsidiary level, with each operating company being capitalized on the basis of its own credit capacity without parent company guarantee. Today almost half of IU's total consolidated debt is related to shipping and utilities, reflecting traditional financing practices in these industries.

Capital expenditures in 1975 totaled $297 million. At this time the spending plans of Gotaas-Larsen Shipping Corporation are being kept flexible, but we plan capital outlays of $182 million on businesses other than shipping in 1976, including $93 million for utility growth and $28 million for trucking expansion.



The results of each of the operating groups are discussed in detail elsewhere, so I will give only a brief overview in this letter.

Ocean Shipping In 1975 Gotaas-Larsen's earnings contribution sharply decreased to $12.3 million from $42.5 million in 1974 as the world shipping industry continued to reflect the lower demand for crude oil and a large surplus of tanker tonnage. Dry cargo rates have also declined, but not as drastically. Passenger cruise operations have improved slightly. Drilling rigs were profitable in 1975, but a growing surplus makes future earnings from that source doubtful. The managing director of a Norwegian bank recently referred to "the deep worldwide shipping slump—the most severe since 1932."

There are 66 vessels presently in the Gotaas-Larsen fleet, of which five, all crude oil tankers, are in layup. The future course of the oil tanker market is unknown, but one segment of Gotaas-Larsen seems likely to have a bright future—liquefied natural gas (LNG) carriers, a type of vessel to which substantial effort and capital have been devoted in recent years.

Gotaas-Larsen's first LNG carrier was delivered in December 1975 and successfully completed her sea-trials and cargo-handling tests in January. Named the "Hilli" after an important archeological site in the Buraimi oasis in Abu Dhabi, this vessel is the first of three identical 125,000-cubic meter sister ships chartered for 20 years to an international producer-consumer consortium. The "Hilli" is the largest LNG ship ever built in the freestanding spherical tank design. She is to begin charter hire in mid-April, with initial shipments of LNG to be carried from Abu Dhabi to Tokyo Bay later this year.

These are among the most sophisticated ships yet built. Their design and successful operation are made possible by the high degree of training and skill of the officers and men of the Gotaas-Larsen fleet and technical staff. They have earned and fully deserve the highest marks for their proficiency from the classification societies, and from the regulatory, safety and insurance people around the world who are monitoring these new developments carefully to insure absolute safety.

The three ships involved in this LNG project should produce revenues of about $1 billion, providing earnings stability over the 20-year term. It is unfortunate that the full impact of the earnings potential of these three ships will not be felt until the second half of 1977.

In addition to the two sister ships of the "Hilli" mentioned above, Gotaas-Larsen has nine other vessels currently on order. Recently, two ultra large crude carriers, scheduled for delivery in 1977 and 1978, were canceled. All of the remaining building contracts are being kept under careful scrutiny in the light of ongoing developments. During 1976, as conditions dictate, there is the possibility of delay, cancellation, or other disposition of some of these vessels. Large cancellation charges could have an impact on 1976 earnings.

Land Transportation The earnings contribution of this group increased to $14.0 million from $12.0 million in 1974. The strong improvement in the latter part of the year overcame earlier softness, resulting in a 17 per cent gain for the year as a whole. The turnaround at Pacific Intermountain Express has gained momentum, and Ryder Truck Lines has resumed its strong earnings pattern, which had been temporarily interrupted by the recession. Both units have been increasing their market shares.

Further improvements in the United States economy and prompt agreement on the industry's national labor contract should provide additional growth opportunities for IU's trucking operations in 1976.

Distribution Services This group's earnings contribution fell to $10.8 million from $15.1 million in 1974 because of weakness in the housing and construction industries, as well as lower demand for paper and consumable industrial supplies.

The distribution business is generally sensitive to economic trends in the United States, and results in recent months indicate that the effects of the recession are still being felt in markets for industrial supplies, paper products, institutional food services, and dental supplies.

Utility Services IU's gas, electric and water services had a combined earnings contribution of $33.3 million, compared with $21.5 million in 1974, a 55 per cent increase.

Canadian Utilities, which is now 74 per cent owned by IU, had a fine year in 1975. CU's gas and electric service territories are in the Province of Alberta, an area blessed with abundant natural resources, a booming economy, and a stable political climate. The outlook in Alberta leads us to expect further growth, although CU's gains in revenues and earnings in 1976 are not likely to be as great as those recorded in 1975.

General Waterworks Corporation, a wholly-owned subsidiary, had success during 1975 in upgrading its water companies and providing higher returns than in

1974. There was continued progress in the program to divest additional marginal operations. In 1976 we should see modest improvement for this business.

Industrial Products and Services With the divestments in our energy-related manufacturing group during 1975, several units have been regrouped into an industrial products and services category. Serving these markets are Hills-McCanna and Southwest Fabricating, previously part of the former Energy Systems group, as well as International Mill Service and several smaller units. During 1975, the combined industrial subsidiaries improved their earnings contribution by 44 per cent to $21.5 million, compared with $15.0 million in 1974, with all major components doing better than they had done in the previous year.

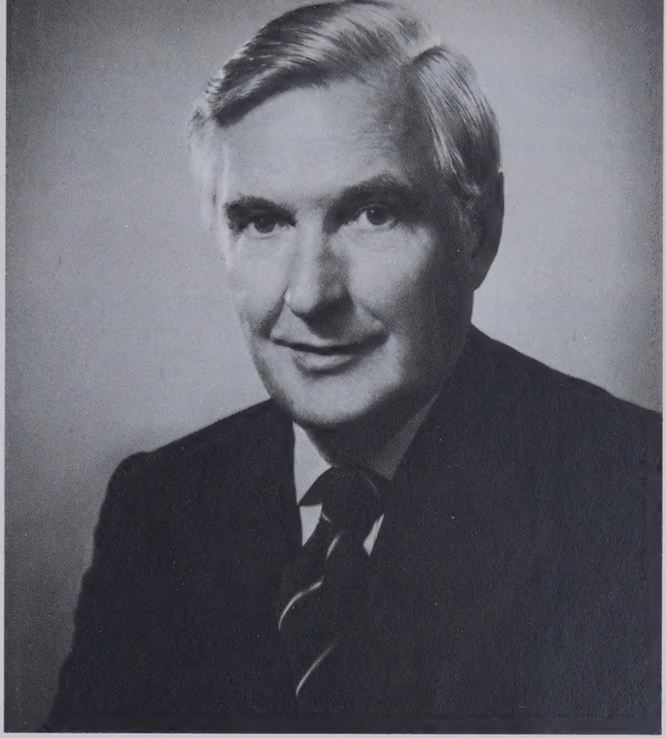
In 1976 we expect some further gains from industrial manufacturing operations, but the rate of growth from the slag reclamation business will depend largely on levels of steel production in North and South America and Europe.

Agribusiness Products and Services The 1975 results of C. Brewer and Company, Limited were in sharp contrast to 1974, when rising demand and speculative buying raised sugar prices to unprecedented levels and produced record earnings. The subsequent decline in sugar prices caused Brewer's earnings contribution (after tax) to decline in 1975 to $3.6 million from $13.9 million (restated) the year before. The beneficial effect of the accounting change on 1975 results was substantially offset by a series of charges totaling $6.9 million, chiefly related to land development programs.

The extraordinary sugar profits in 1974 created a situation in which 1975 performance appears very weak by comparison. As a point of reference, IU's share of Brewer's earnings in 1973 was $4.0 million.

Sugar prices will continue to be affected by world supply and demand cycles, with further instability resulting from the expiration of the United States Sugar Act. Brewer in 1976 is expected to make a strong effort to increase further its agronomics consulting and management services for developing countries, and to maintain its role as the leading producer of cardamom spice and macadamia nuts. These and other elements of Brewer's diversified agribusiness operations should, over time, lessen the relative importance of sugar production.

The Outlook After being able to report new earnings records for so long, it is a disappointment to report that 1975 was only the second-best year in IU's



John M. Seabrook

history, although I realize that many shareholders did not expect the company to do even that well in a year which was marked by a worldwide recession, declining sugar prices, and a severely depressed shipping market.

As you will see from a study of this report, much of our business closed 1975 on a rising and optimistic note, but there are serious uncertainties ahead in shipping. The required new method for translation of foreign currency, while expected to have little or no effect on earnings in the long run, may bring artificial but substantial swings in quarterly reporting of earnings. These and other uncertainties make me reluctant to forecast overall results for 1976.

The past year has been a difficult one, and we probably have another difficult year ahead. I want to thank all of our more than 35,000 employees, many of whom are shareholders, for their continuing efforts.

Sincerely,

John M Seabrook

John M. Seabrook
Chairman and President

March 5, 1976

Transportation Services

Ocean Shipping *IU's ocean shipping subsidiary, Gotaas-Larsen, further diversified its energy-related shipping services in 1975 by adding to the fleet its first liquefied natural gas (LNG) carrier. The fleet now consists of ships for transportation of liquefied natural gas, crude oil, refined petroleum products, coal, ore, grain, other bulk products, and refrigerated goods. Gotaas-Larsen also owns semi-submersible offshore oil and gas drilling platforms and cruise ships. Included are 59 cargo ships totaling 4.1 million deadweight tons (dwt), two drilling rigs, and five cruise ships totaling 96,000 gross registered tons.*

In 1975, Gotaas-Larsen's earnings contribution was $12.3 million, off 71 per cent from $42.5 million in 1974. Revenues in 1975 were $150.8 million, down 27 per cent from $206.8 million in 1974.

The world tanker market was severely depressed in 1975. Reduced demand for petroleum products in major importing nations reflected high petroleum prices and worldwide economic conditions. At the same time, a substantial number of new crude oil carriers were delivered around the globe—ships ordered prior to the 1973-74 oil embargo and the increase in the price of oil. The resultant oversupply caused tanker charter rates to remain depressed throughout 1975, and a significant amount of tanker tonnage to be placed into layup.

Gotaas-Larsen was not immune to the industry-wide slump. Six tankers which came off charter in 1975 were placed into layup; one has since been chartered, but five remain laid-up. Such layups produce no charter revenue, while many expenses associated with the laid-up vessels continue to be incurred.

Cost pressures were especially noticeable in the second half of 1975. The effect of the layups helped to produce operating losses for the third and fourth quarters, Gotaas-Larsen's first quarterly losses since it was acquired in August 1963. Inflationary pressures were also reflected in higher costs for other operations.

As part of Gotaas-Larsen's continuing practice of upgrading the fleet, four vessels were sold in 1975.

Gotaas-Larsen accepted delivery in December 1975 of its first LNG carrier, "Hilli." Five other LNG ships of similar size are on order. Gotaas-Larsen placed its first order for an LNG vessel in 1971, with the objective of taking advantage of broader opportunities in worldwide shipping while reducing the concentration of the fleet in the oil tanker market.

"Hilli" is the largest ship of her type to sail the high seas—the world's first LNG carrier of the advanced 125,000-cubic-meter freestanding spherical tank design. "Hilli" was delivered before she was needed and has now completed all her sea trials, with charter hire due to commence on April 15, 1976.

"Hilli" and two Norwegian-built sister ships have been chartered for 20 years to carry gas for an international producer-consumer consortium composed of Abu Dhabi National Oil Company; British Petroleum Co., Ltd., London; Compagnie Française des Pétroles, Paris; Mitsui and Co., Ltd., Tokyo; and Bridgestone Liquefied Gas Co., Ltd., Tokyo. LNG will be transported from Das Island, off Abu Dhabi, to Tokyo Bay, a round trip of 12,800 nautical miles. Revenues from the three long-term charters will be about $1 billion.

At its loading port, natural gas is condensed into a liquid by lowering its temperature to minus 260 degrees Fahrenheit, and is kept at this temperature aboard the ship's giant spherical tanks. The LNG is regasified at its destination port, with each shipload providing about three trillion BTUs of energy.

"Hilli" was 70 per cent financed through a group of lending institutions in the United States, Norway and Canada. Gotaas-Larsen has generally followed a pattern of mortgage financing for new ship deliveries, and no change is planned with regard to the LNG carriers.

Gotaas-Larsen recently canceled orders for two 410,000-deadweight-ton ultra large crude carriers. There was no material effect on earnings.

In addition to its LNG carriers, the company has six other vessels on order, only one of which is a crude oil carrier. All of the new building plans are under constant review. As conditions may warrant, there could be additional cancellations or delayed deliveries.

Gotaas-Larsen's two existing semi-submersible drilling rigs were chartered throughout 1975 for oil and gas exploration in the North Sea. The drilling rig market currently is depressed, and future charters may be difficult to obtain.

Gotaas-Larsen's cruise ship operations reported moderately improved operating results in 1975 compared with 1974. Strong booking levels continued for one- and two-week Caribbean cruises.

The first of Gotaas-Larsen's LNG carriers will begin transporting LNG from Abu Dhabi to Tokyo under a 20-year charter later this year. These 125,000-cubic-meter vessels, largest of their kind ever built, will deliver three trillion BTUs of energy in every shipload, or the equivalent of about 523,000 barrels of heating oil.

Land Transportation *IU's land transportation services—Ryder Truck Lines and Pacific Intermountain Express—constitute one of the largest trucking networks in the United States. Service is provided through 400 general, bulk, and special commodity freight terminals to every major United States market. More than 4.4 million shipments totaling 5.5 million tons were carried last year. A subsidiary also operates international freight services in Europe and the Middle East.*

Land transportation services produced an earnings contribution of $14.0 million in 1975, up 17 per cent from $12.0 million in 1974. Revenues were up one per cent to $383.8 million from $378.4 million.

Trucking revenues and earnings during the first six months of 1975 were well below comparable results for the prior year, but strong improvement occurred in the second half. For the full year, the combined results of Ryder Truck Lines and Pacific Intermountain Express (P-I-E) set a new earnings record.

Both trucking companies increased their market share in 1975. Ryder resumed its strong earnings pattern, which had been interrupted by the recession. P-I-E was profitable in 1975, as the turnaround continued to gain momentum.

IU has made a substantial investment to improve P-I-E's systems, terminals, management and service.

- Systems—One of the most advanced management information systems in the industry has been developed by Ryder since 1965, and adapted by P-I-E since 1971. The system provides management with timely, in-depth operating data for service and cost-control purposes. The system has instant shipment tracing capabilities, an invaluable aid in maintaining service reliability.
- Terminals—A program of terminal dispersion in major metropolitan areas continues to be implemented in order to improve customer service. Included are Boston, New York, Chicago and Los Angeles.
- Management—Ryder and P-I-E have built very strong management teams. Key factors in both companies' improved earnings have been effective cost-control programs.
- Service—Ryder and P-I-E maintained a consistently high service level throughout 1975. Market share figures confirm the acceptance of both companies' service levels by major shippers.

Through P-I-E Forwarding, IU's land transportation services also include an international freight business serving most Western European countries, the Soviet Union, and the Middle East. This activity has attained increased market penetration over the past year. As the agent in Denmark for Sovtransavto, the Soviet trucking authority, the company provides daily overland service between Copenhagen and Moscow.

A new intercontinental service is now operating from Europe to the Middle East. Among the countries served by this operation are Iran, Iraq, Kuwait, Saudi Arabia, Syria and Turkey. Severe congestion at many seaports in the Middle East makes the use of reliable over-the-road service increasingly attractive to importers and exporters serving the growing economy of the area.

Approval of the Interstate Commerce Commission (ICC) and other regulatory authorities is pending for Ryder's agreements to purchase operating authorities from Alterman Transport into Dallas and Fort Worth; from Asbestos Eastern, a Canadian carrier, into Montreal and Quebec City; from Transamerican Freight Lines into Texas and Oklahoma; and from Mercury Motors primarily into Arkansas. Since July 1975, when the Transamerican acquisition agreement was reached, Ryder has been operating under temporary ICC authority over the routes acquired from Transamerican. Ryder has been operating Mercury under temporary authority since November 1975.

Industry-wide labor contracts with the International Brotherhood of Teamsters will expire March 31, 1976. Negotiation of new contracts, and regulatory recognition of cost increases stemming from the new contracts, will be important factors in 1976 results, as will the degree of improvement in the national economy.

IU's Ryder Truck Lines and Pacific Intermountain Express comprise one of the largest trucking networks in the United States, with 400 freight terminals serving every major market.

Distribution Services

Distribution Services *IU's distribution services companies supply materials to industrial firms and to plumbing, heating, and electrical contractors in 12 states; supply paper and related products to customers in 27 states; distribute institutional food products in six states; and provide dental supplies, equipment and laboratory services in 26 states.*

IU's distribution services companies were adversely affected by sluggish economic activity in 1975. Earnings contribution was $10.8 million, down 28 per cent from $15.1 million in 1974. Revenues were $486.7 million, approximately level with revenues of $487.3 million in 1974.

Unusual economic developments in 1974 contributed to all-time-record results for the distribution companies, making year-to-year comparisons with 1975 even more unfavorable than the recession alone would have caused. In 1974, the lifting of price controls and the industry-wide effects of a "shortage economy" helped to keep most distribution markets strong throughout most of the year. However, the shortages corrected themselves by late 1974. Supplies were generally more than sufficient to satisfy demand in the economic environment of 1975, and margins declined.

Despite the general economic slump in 1975, the industrial distribution companies managed to show slightly improved results for the year.

Considerable progress was made during 1975 in upgrading the operations of the industrial distribution businesses, where computerized information systems make superior service possible. A new management information system is being installed at all industrial distribution units, and should be fully operational by the end of 1977. Operating efficiencies have been achieved in the form of better cost controls and improved customer service, which should provide a base for greater market penetration in the future.

A new distribution center for plumbing, heating and electrical supplies was opened in the Chicago area in 1975. This new facility is utilized jointly by two IU subsidiaries, and is expected to be a forerunner of other similar regional distribution centers.

The recession led to reduced volume for Unijax, a distributor of paper and consumable dry non-paper products in the Southeast and Midwest. The downturn was particularly severe in the printing paper market. Inflationary pressures were evident throughout the year, but effective cost controls permitted Unijax to achieve satisfactory results.

IU's institutional food service units distribute a full line of food products to customers who prepare meals for the away-from-home-market—primarily restaurants, hotels, and schools—in the Southeast. While the number of meals sold and served in this market did not appear to decline substantially in 1975, the average price per meal declined. This was a factor in reducing revenues and earnings.

As part of a program to simplify the corporate structure and to direct investments into strategically promising businesses, IU sold its dairy products distribution subsidiary, Farmbest Foods, Inc., in 1975.

The acquisition of a Florida-based dental supply company early in 1975 expanded IU's dental distribution network to 58 supply centers and 21 laboratories from coast to coast.

Dental distribution results were adversely affected by the recession and inflationary cost pressures throughout the year. Depressed economic conditions caused deferral of dental work. Dentists also liquidated shelf inventory, thus reducing reorders.

While the dental supply industry has suffered through the recession, it continues to offer growth opportunities for the future. The demand for dental services is expected to expand and be augmented by the trend to improved dental coverage in employee insurance plans.

IU distribution centers, such as this new Chicago-area warehouse, provide a broad range of industrial supplies, paper and related products, institutional food products, and dental supplies.

Utility Services

The earnings contribution of IU's utility services subsidiaries was $33.3 million in 1975, an increase of 55 per cent from the $21.5 million reported in 1974. Revenues rose 33 per cent to $247.1 million from $185.8 million a year earlier.

Electric and Gas Services *Canadian Utilities Limited supplies electricity to 365 communities in Alberta, The Yukon, and The Northwest Territories, and natural gas to 254 communities in Alberta and British Columbia. CU is a public company whose shares are traded on Canadian stock exchanges. IU's ownership of CU stock is equivalent to 74 per cent of the company's outstanding shares.*

The strong performance of Canadian Utilities Limited in 1975 resulted both from increased natural gas and electricity sales and from rate increases.

CU continues to benefit from industrial growth in the Province of Alberta. The development of Alberta's natural resources has resulted in a strong economy, continued population growth, and robust industrial expansion. Alberta's gross domestic product has consistently shown greater percentage improvement than the overall Canadian gross domestic product in recent years. The stable political climate in the Province has helped the economy.

The company's subsidiaries now serve 373,000 natural gas customers and 94,000 electric customers, an increase from last year of six per cent in each case.

Natural gas sales for the year rose five per cent to 255 billion cubic feet. Electric energy sales in the same period rose five per cent to 2.0 billion kilowatt hours.

Rapid and substantial increases in wages, the cost of fuel and gas supplies, and construction costs led CU to seek regulatory authority for rate increases. Regulatory officials recognized the inflationary pressures on CU's operating expenses, and granted utility rates which allow a return sufficient to attract the new capital needed to meet the growing service requirements.

All of CU's capital needs in 1975 were obtained from Canadian sources. The company's favorable performance helped insure the successful sale of $30 million of preferred stock early in the year, and $10 million of common shares late in the year. As a result of these offerings to the Canadian public, IU's ownership of CU declined to a level equivalent to 74 per cent of the Canadian company's outstanding shares. IU's ownership had been equivalent to 80 per cent of shares outstanding.

In January 1976, CU also sold in Canada $50 million of 20-year debentures.

Demand for both electric and gas services is expected to continue to expand in 1976, and favorable conditions exist for continued growth of IU's utilities operations in Canada.

Water Management Services *General Waterworks Corporation, IU's water management services company, provides water service to more than 350,000 customers in 15 states.*

General Waterworks increased both its revenues and its earnings contribution in 1975.

Substantial increases in the costs of purchased power and water, chemicals for purification, and labor led GWC to file an unprecedented number of applications for rate increases in 1975. A record 53 rate increases were granted during the year by the various utility commissions in GWC's service areas.

Several small utilities, or portions of utilities, were profitably sold in 1975 to the municipalities served. The investment which GWC had in these properties has been reinvested by the company in properties yielding higher returns.

GWC will continue to divest small utilities in locations where demand is too low for efficient operation or where the cost of obtaining rate adjustments is out of proportion to the increases granted. Fewer but larger utilities will further simplify operation and improve return on investment.

Electrical services are supplied to 365 communities in northwestern Canada by IU's 74 per cent-owned subsidiary, Canadian Utilities Limited. Utility services also include natural gas for 254 Canadian communities and water supplies for customers in 15 states.

Industrial Products and Services

IU's industrial products and services category consists primarily of operating units previously reported as part of the energy systems group and the waste management services group. The earnings contribution of IU's industrial subsidiaries totaled $21.5 million in 1975, up 44 per cent from $15.0 million in 1974. Revenues were $162.5 million, an increase of 19 per cent from $137.0 million in 1974.

Waste Management Services *IU's waste management services companies process slag and reclaim scrap for steel mills in 14 countries; quarry and process lime and related materials for construction, pollution control and other applications; and market a service which converts pollutants from smokestack emissions at electric utility plants into stable landfill and construction aggregate.*

IU's metals recovery subsidiary, International Mill Service, has operations at 30 locations in the United States and Canada and 31 locations in Europe and Latin America.

Revenues and earnings improved, despite lower worldwide steel production. The improvement was a result of three factors: several operations for which contracts were signed in 1974 became fully operational in 1975; Latin American operations expanded; and European operations acquired during the first quarter of 1974 were reported for a full year in 1975.

IU's involvement in pollution control markets expanded in 1975 with the continued progress of IU Conversion Systems. The subsidiary was awarded two operating contracts for its patented Poz-O-Tec® process, which converts noxious sulfur oxide scrubber sludge and fly ash from coal-burning power plants into a structurally stable material that is environmentally acceptable as landfill. One Poz-O-Tec plant is now in operation at a utility near Pittsburgh; the second should be operational at an Ohio utility by mid-1976.

Another approach to the disposal of electric utilities' waste products, IU's Poz-O-Blend™ process, utilizes the fly ash from coal-burning power plants to produce a road base material. The first such conversion facility was completed in Kansas City in 1975; two more plants are projected for 1976.

IU's lime and limestone subsidiary turned in results slightly below those reported in 1974. The company's performance was affected by a decline in road and building construction and by sluggish industrial activity in the company's market area.

Results at IU's silver mine substantially declined in 1975, reflecting depletion of the previous shaft reserves. New areas have been developed and are being mined, and other prospects in the area are being surveyed and evaluated. Silver production is again increasing as proven ore reserves rise.

Manufacturing Operations *IU's manufacturing companies make valves, piping, flow control systems and related components for the power, petroleum, chemical and gas processing industries.*

The financial results of IU's energy systems companies, Hills-McCanna Company and Southwest Fabricating & Welding Company, are now reported as part of industrial products and services. These companies, which manufacture valves and fabricate piping for flow control applications, established record sales and earnings in 1975.

The improved performance in 1975 reflected increased shipments to the chemical, power, petroleum and water treatment industries. Capital spending by these industries continued relatively strong.

In 1975, IU sold three manufacturing operations: The Walworth Company, Grove Valve and Regulator Company, and Frick Company.

An improving economy and expansion in the industrial sector should directly benefit IU's operations serving energy markets. Backlogs are expected to remain at high levels during 1976, with strong demand for piping used in petrochemical and power industries, as well as for pressure vessels for nuclear applications.

Steel mill slag is processed at 61 locations in North and South America and Europe by IU's International Mill Service. Other companies serving industrial markets include a leading valve and flow control manufacturer and a major industrial piping fabricator.

Agribusiness Products and Services

Agribusiness Products and Services *C. Brewer and Company, Limited, IU's 53 per cent-owned Hawaii-based agribusiness company, is one of the nation's largest producers of raw sugar and is the leading producer and marketer of macadamia nuts and cardamom spice. It also distributes molasses and liquid cattle feed, and is one of the world's leaders in agronomics consulting and management. The company's shares are traded on the American, Pacific Coast, and Honolulu Stock Exchanges.*

Brewer's after-tax earnings contribution to IU was $3.6 million in 1975, considerably below the $13.9 million contribution in 1974. Revenues were almost flat, $296.2 million in 1975 compared with $302.4 million in 1974.

Results include the effects of a change to the equity method of accounting for Brewer's investment in the cooperative jointly owned by several Hawaiian sugar growers. Revenues and earnings are now reported in the accounting period in which sugar is sold. Under the former method, revenues and earnings from sugar were reported on an estimated basis in the accounting period in which sugar was produced. The newly adopted method reflects more accurately Brewer's year-to-year earnings from sugar, a commodity subject to volatile price swings since expiration of the United States Sugar Act in 1974.

The accounting change required the company to restate revenues and earnings for prior years. The change increased Brewer's 1975 earnings by $8.1 million and reduced 1974 results by $8.8 million.

The increased earnings resulting from the accounting change were substantially offset by a series of charges against land development and resort operations that reduced earnings by $6.9 million.

Brewer's non-sugar agricultural production activities had increased revenues and earnings in 1975. Cardamom spice operations produced particularly good results for the year. Brewer is the world's largest grower of cardamom, and year-to-year results reflect a continuing increase in demand worldwide. Oregon potato revenues increased in 1975, chiefly as a result of the acquisition of Desert Magic, Inc., a producer and marketer of fresh and processed potatoes. The Oregon potato operations cultivate 8,500 irrigated acres.

Raw sugar production was 13 per cent higher than last year, when Hawaiian sugar workers were on strike for seven weeks. Operating efficiencies introduced at Brewer's sugar plantations on the Island of Hawaii also contributed to the improved production rate.

The return to more normal sugar prices made year-to-year comparisons unfavorable for the agricultural production group. Results reflect the collapse in sugar prices from a peak of 64½ cents per pound (raw sugar basis, New York) in November 1974 to less than 15 cents at year-end 1975.

Brewer's agricultural marketing group—international agribusiness development services, chemical and fertilizer distribution, molasses distribution, and macadamia nuts—increased its earnings contribution substantially from the previous year.

International agribusiness development services had substantially improved performance. The company manages agribusiness projects in Iran, Indonesia, the Solomon Islands and Ecuador. Included are crops (sugar, rice, corn); poultry and livestock (chickens, cattle, sheep); and a variety of related agronomics skills ranging from engineering and irrigation to housing and land clearing.

A new contract was recently signed in the Ivory Coast, and further geographic and product diversification will be accomplished as the business is expanded among less-developed countries.

During 1975, the molasses and liquid feed supplement businesses were influenced by the depressed livestock industry, although conditions had improved by year-end.

Brewer is the largest macadamia nut grower, processor and marketer in the world. In addition to its macadamia orchards in Hawaii, the company has planted additional orchards in Guatemala which will mature to full nut-bearing capacity over the next several years to help keep pace with growing demand.

Results of other Brewer activities were depressed in 1975 by losses in land development/leisure time activities and in certain other operations, particularly shipbuilding. The company's Waiakea Resort Village and Marketplace in Hilo, Hawaii incurred operating losses, and the effect of the economic slowdown was also felt in tourism and land development activities.

Because of the generally depressed real estate industry, the company withdrew from continental United States development and wrote down a number of land parcels to their disposal value. The weakness in the real estate market, combined with the effects of an earthquake and tidal wave in Hawaii, led the company to change the planning and scope of its development on the Island of Hawaii, and the company wrote down the project to its estimated current value. The company also wrote down its Hilo resort hotel to its estimated sales value.

In Iran, agronomics specialists of C. Brewer and Company, IU's international agribusiness subsidiary, are assisting that nation in its efforts to achieve agricultural self-sufficiency. The company has helped more than 60 nations develop large-scale agricultural enterprises.

Sources of Revenues and Earnings

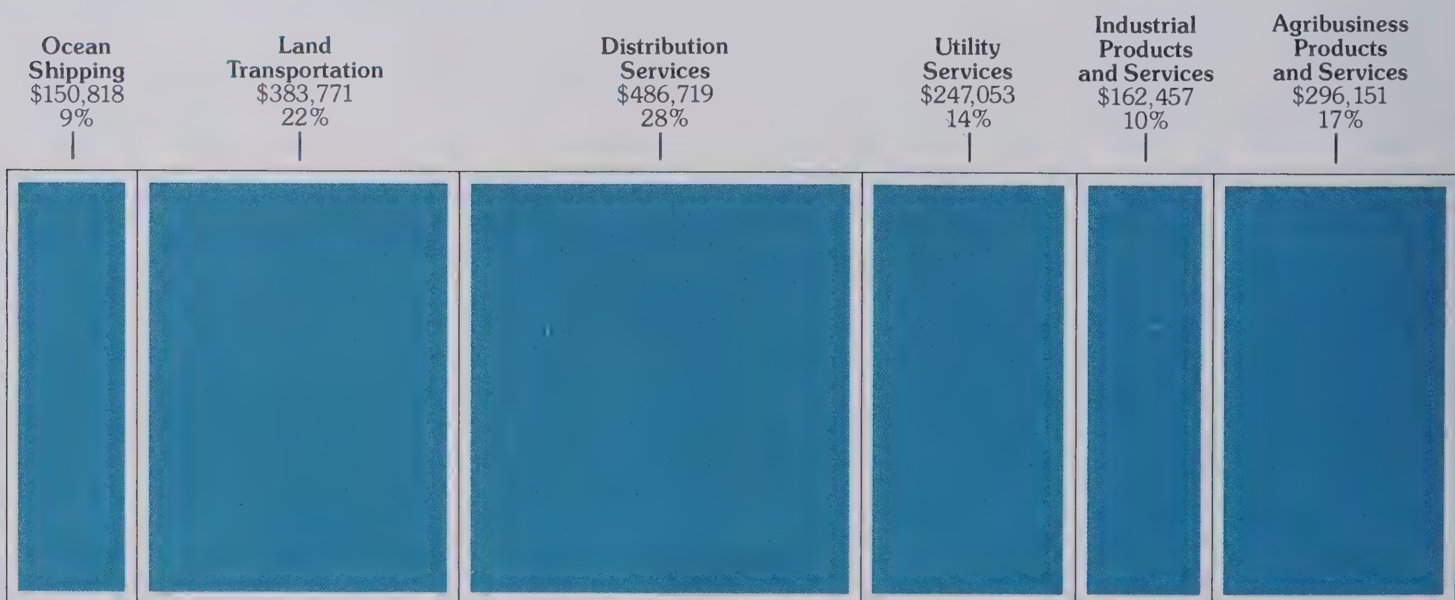
(In thousands, except per share data)

	1975	
	Revenues	**Earnings**
Contributions by major markets:		
Transportation & Distribution Services		
Ocean Shipping	$ 150,818	$12,256
Land Transportation	383,771	13,983
Distribution Services	486,719	10,818
Utility Services	247,053	33,274
(Includes Electric and Gas Services and Water Management Services)		
Industrial Products and Services	162,457	21,521
(Includes Waste Management Services, former Energy Systems units, and other businesses)		
Agribusiness Products and Services[2]	296,151	3,590
Total major markets	1,726,969	95,442
Other[3]	96,386	19,056
Corporate expenses, including interest	—	(15,385)
Earnings before income taxes and foreign exchange	—	99,113
Income taxes[4]	—	(23,026)
Earnings before foreign exchange	—	76,087
Foreign exchange gains (losses)	—	6,094
Total revenues	$1,823,355	
Net earnings		$82,181
Primary earnings per share		$ 2.50

(1) Reclassified to conform with current classifications, and restated to conform with the new Financial Accounting Standard No. 8 concerning translation of foreign currency and to reflect the adoption of equity accounting by C. Brewer and Company, Limited.

(2) The contribution of C. Brewer and Company, Limited, a 53 per cent-owned subsidiary, is on an after-tax basis.

Revenues from Major Markets—1975 *(In thousands)*

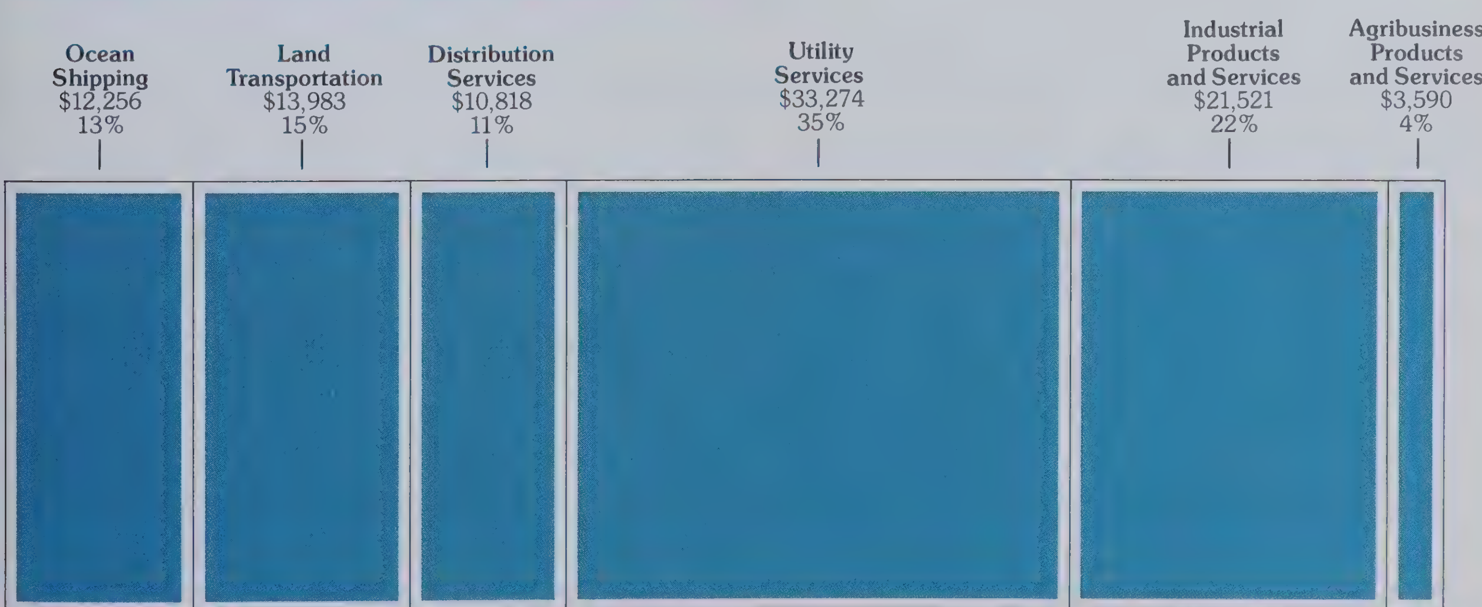


1974[1]		1973[1]		1972[1]		1971[1]	
Revenues	Earnings	Revenues	Earnings	Revenues	Earnings	Revenues	Earnings
$ 206,767	$42,521	$ 195,864	$64,093	$ 134,887	$33,149	$ 125,680	$29,143
378,375	11,987	343,450	10,766	300,932	12,076	265,643	13,229
487,277	15,115	273,266	7,134	179,003	5,865	157,921	5,311
185,776	21,505	160,037	23,794	150,628	24,859	134,034	25,191
136,976	14,955	106,677	12,647	86,790	9,070	56,464	7,571
302,445	13,893	190,250	4,025	139,494	3,608	131,801	2,445
1,697,616	119,976	1,269,544	122,459	991,734	88,627	871,543	82,890
284,087	12,339	278,108	7,787	242,625	4,596	230,681	4,461
—	(22,514)	—	(20,346)	—	(13,268)	—	(14,120)
—	109,801	—	109,900	—	79,955	—	73,231
—	(24,299)	—	(27,043)	—	(18,934)	—	(22,038)
—	85,502	—	82,857	—	61,021	—	51,193
—	2,138	—	(7,746)	—	(1,418)	—	(990)
$1,981,703		$1,547,652		$1,234,359		$1,102,224	
	$87,640		$75,111		$59,603		$50,203
	$ 2.68		$ 2.35		$ 1.87		$ 1.61

(3) Includes development businesses, non-major market operations, and businesses to be divested.

(4) Consolidated income taxes, including C. Brewer and Company, Limited: 1975—$28,048; 1974—$53,299; 1973—$32,052; 1972—$23,703; 1971—$26,670.

Earnings Contributions from Major Markets—1975 *(In thousands)*



Summary of Earnings and Selected Financial Data

(In thousands, except per share data)

	1975	1974(1)	1973(1)	1972(1)	1971(1)
Revenues and other income	$1,823,355	$1,981,703	$1,547,652	$1,234,359	$1,102,224
Costs and expenses:					
Cost of products sold, operating, selling, and administrative expenses	1,568,714	1,683,664	1,304,574	1,044,422	923,305
Depreciation and amortization	73,437	71,964	66,285	59,145	54,861
Interest and debt expense	55,868	64,417	60,942	39,537	39,432
Income taxes	28,048	53,299	32,052	23,703	26,670
Minority interest	15,107	20,719	8,688	8,633	7,753
	1,741,174	1,894,063	1,472,541	1,175,440	1,052,021
Earnings before extraordinary item	82,181	87,640	75,111	58,919	50,203
Extraordinary item	—	—	—	684	—
Net earnings	$ 82,181	$ 87,640	$ 75,111	$ 59,603	$ 50,203
Earnings per share:					
Per average common and common equivalent share:					
Operations	$ 2.50	$ 2.68	$ 2.35	$ 1.85	$ 1.61
Extraordinary item	—	—	—	.02	—
Net earnings	$ 2.50	$ 2.68	$ 2.35	$ 1.87	$ 1.61
Assuming full dilution:					
Operations	$ 2.31	$ 2.43	$ 2.11	$ 1.62	$ 1.38
Extraordinary item	—	—	—	.02	—
Net earnings	$ 2.31	$ 2.43	$ 2.11	$ 1.64	$ 1.38
Dividends per common share	$ .85	$ .80	$ .75	$ .725	$ .70
Shareholders' equity per share(2)	$ 17.81	$ 16.31	$ 14.37	$ 12.82	$ 11.70
Return on equity	15%	19%	18%	16%	15%
Common and common equivalent shares used in computing earnings per share	32,308	32,097	31,186	30,646	29,404
Capital expenditures	$ 297,405	$ 252,176	$ 159,243	$ 183,429	$ 134,938

(1) Restated for the accounting changes described in Note 2 to the Financial Statements.
(2) Based on common stock and Special Stock, Series A at year end.

Financial Analysis

The following is management's discussion and analysis of the summary of earnings, as required by the Securities and Exchange Commission. It should be read in conjunction with the review of operations on pages 4-17 and the Financial Statements and Notes on pages 21-30.

Revenues and Other Income

The company's consolidated revenues and other income decreased by $158.4 million or eight per cent in 1975 and increased by $434.1 million or 28 per cent in 1974.

Ocean shipping revenues decreased by $55.9 million in 1975 as a result of the continuing effects of substantial increases in crude oil prices, reduced worldwide consumption, and downturns in the economies of major oil importing countries.

Utility services revenues increased by $61.3 million in 1975. The increase is attributable principally to interim rate increases granted during the year; additionally to lower temperatures and higher natural gas consumption during the past spring compared to the previous year; and partly to population growth and industrial expansion in the Province of Alberta, Canada.

Industrial products and services revenues increased by $25.5 million in 1975. Approximately $4.1 million of the increase is accounted for by the acquisition of a waste management company whose operations were included for only nine months in 1974. Other factors in the increase include greater penetration of the fabricated piping market and increases in both sales volume and price of valves for the petroleum, chemical, and gas processing industries.

In 1975, the two-year upward trend of sugar prices reversed itself dramatically, resulting in a 77 per cent decrease from the peak price in 1974. The decrease in revenues associated with the sugar price decline was partially offset by increased sugar production resulting from more efficient operations and the absence in 1975 of a sugar workers strike. Other segments of the agribusiness subsidiary also increased revenues in 1975. In 1974 and in 1973, the revenues of C. Brewer and Company, Limited, a Hawaii-based affiliate in which the company holds a 53 per cent interest, increased by $112.2 million and $50.8 million, respectively. In both years, Brewer's increased revenues were attributable to the upward trend in world demand for agribusiness products, resulting in substantial improvement in the prices received for raw sugar and molasses produced and marketed during the two years.

Revenues from all other operations decreased by $182.9 million in 1975. The principal reason was the divestment of non-strategic companies during 1974 and 1975, which accounted for $170.3 million of the decrease after recognizing gains of $27.1 million on the sale of these companies.

In 1974, distribution services revenues increased by $214.0 million. Approximately $162.0 million of the increase was attributable to the acquisition of distribution companies during 1973 and 1974, which did not materially affect net earnings for 1974. The lifting of government price controls and the increase in inventories by major customers in anticipation of a shortage economy also added to 1974 revenues.

In 1974, ocean shipping revenues increased by $10.9 million despite substantial increase in crude oil prices, reduced worldwide consumption, and downturns in the economies of major oil importing countries.

In 1974, industrial products and services revenues increased by $30.3 million, reflecting the absence of government price controls and the increase in demand for high-quality valves by the power and petrochemical industries.

In 1973, an oil tanker owned by the ocean shipping subsidiary sank while without cargo. The insurance proceeds collected as a result of the sinking of the vessel had a favorable effect on net earnings of $8.6 million. Net earnings were unfavorably affected by a provision of $5.8 million made in the same year for anticipated losses on the disposition of certain subsidiaries and other assets. Also, certain land held for sale or development was reappraised in 1973, and the carrying value of the land was reduced by $8.0 million, reducing net earnings by $5.8 million.

Costs and Expenses

Consolidated costs and expenses decreased by $152.9 million or eight per cent during 1975, compared to an increase of $421.5 million or 29 per cent during 1974. Cost of sales, selling, general and administrative expenses decreased by $114.9 million during 1975 and increased by $379.1 million during 1974. These fluctuations were proportional to the changes in revenues for the corresponding two years.

Interest and Debt Expense

Interest and debt expense decreased by $8.6 million in 1975. The decrease was caused by substantially lower interest rates, partly offset by increased levels of financing. The 1974 increase of $3.5 million was a result of higher interest rates and increased levels of financing.

Income Taxes

Income taxes decreased by $25.3 million in 1975 and increased by $21.2 million in 1974. The substantial decrease in the agribusiness subsidiary's taxable income accounted for $24.0 million of the decrease in the 1975 income tax provision. Also in 1975, the company reversed a charge for deferred income taxes in the amount of $8.0 million (see Note 10). The 1974 increase resulted from the substantial increase in taxable income generated by the agribusiness subsidiary. The 1973 increase was attributable to the $8.0 million provided in deferred taxes for the gain resulting from the sinking of one of the ocean shipping subsidiary's vessels.

Minority Interest

In 1975, a decrease of $5.6 million in minority interest resulted from the lower earnings of C. Brewer and Company, Limited and the increased earnings of the utility services subsidiaries, of which $9.9 million and $4.6 million respectively are applicable to minority shareholders. In

1974, an increase of $12.0 million in minority interest was principally the result of the increase in the earnings of C. Brewer and Company, Limited.

Financial Position

During 1975, total invested capital increased by $93.0 million to $1,483.2 million. Shareholders' equity increased 9.8 per cent to $606.6 million, while total debt increased 4.6 per cent to $876.6 million.

In 1975, Canadian Utilities Limited sold $40 million of equity and in January 1976 completed a $50 million, 20-year debenture issue, both in Canada. Gotaas-Larsen last year arranged more than $190 million of financing, including the financing for its first liquefied natural gas carrier. This ship was 70 per cent financed by four lending institutions (two in the United States, one in Norway and one in Canada).

In total, $397.9 million of debt financing, including refinancings, was arranged in 1975. At year-end, IU and its subsidiaries had unused credit lines of more than $215 million.

During 1975, total assets increased by 6.3 per cent to $2,109,337 from $1,984,654 at year-end 1974. The primary increases occurred in the utility services and ocean shipping subsidiaries.

In 1975, total capital expenditures amounted to $297 million, including $111 million for ocean shipping. Planned non-shipping capital expenditures are expected to be $182 million in 1976 compared to $186 million in 1975, a decrease of 2.2 per cent. Capital expenditures for new ship and rig deliveries are under review and subject to revision, which makes an accurate forecast difficult at this date.

Tanker Market Outlook

The world tanker market, in which Gotaas-Larsen competes, has remained very depressed since late 1973. Expert opinion differs on when charter rates will improve, but most observers consider it unlikely that market recovery will occur before 1977. Pending market recovery, Gotaas-Larsen's operations will be adversely affected in several ways. Five tankers totaling 850,000 deadweight tons (dwt) are currently in layup. All are expected to remain in layup except for one which goes on charter for five months later in the year. Additionally, a new 410,000-dwt tanker is scheduled for delivery in the third quarter. Charter prospects for this vessel are also uncertain. Lastly, an existing long-term charter on a 216,000-dwt tanker is in jeopardy because of the financial condition of the chartering party. In the event of default, this vessel would most likely enter layup until the recovery of the tanker market.

Drilling Rig Market Outlook

The largest market for semi-submersible drilling rigs has been in the North Sea. Rates for rigs fell substantially during 1975 in response to increased numbers of available rigs and a leveling-off in the number of rigs required. The latter was caused by a slowdown in development of new oil and gas exploration blocs, as oil companies adopted more cautious plans pending resolution of government policies for taxation and participation.

At present, Gotaas-Larsen has a minority interest in two semi-submersible rigs operating in the North Sea whose charters expire in 1976. Also, two additional rigs in which Gotaas-Larsen has a majority interest will be delivered during 1976. In view of the uncertainty that exists in the market, Gotaas-Larsen has no assurance that these rigs will be profitably employed after charter expirations and delivery, respectively.

Translation of Foreign Currency

Recently the Financial Accounting Standards Board issued the new and highly controversial Standard No. 8: Accounting for the Translation of Foreign Currency Transactions and Foreign Currency Financial Statements. The most important impact of this new Standard on the company is on the debt of its 74 per cent-owned subsidiary, Canadian Utilities Limited.

In the future, the effect of the new Standard on earnings may be material. As an example, at the end of 1975, Canadian Utilities Limited debt amounted to approximately $250 million. The closing exchange rate for the Canadian dollar was $.985. If the exchange rate at the end of March, 1976 is $1.015 (the rate at the end of February, 1976), then IU's net earnings for the first quarter of 1976 will have to include a $6 million loss (after minority interest), or 18 cents per share, as a result of the currency exchange fluctuation. Such fluctuations in *short-term* currency movements can be misleading, since over the long term, the exchange rate has moved within a very narrow range.

At the end of each quarter for the last five years, the exchange rate for Canadian and United States dollars has ranged from a premium of about three per cent to a discount of about three per cent. If this relationship continues, losses (as above) or gains are likely to offset each other over time, though temporary short-term aberrations may continue to have undue impact on quarterly and annual earnings comparisons. Beginning with this financial report, we have adopted a format for the company's Sources of Revenues and Earnings statement to highlight earnings both before and after currency adjustments.

Financial Statements

Consolidated Statements of Earnings

(In thousands, except per share data)

	Years ended December 31, 1975	1974 (Note 2)
Revenues and other income	$1,823,355	$1,981,703
Costs and expenses:		
Cost of products sold and other operating costs and expenses, excluding depreciation and amortization	1,351,829	1,439,480
Selling, general and administrative expenses, excluding depreciation and amortization	216,885	244,184
Depreciation and amortization	73,437	71,964
Interest and debt expense	55,868	64,417
Income taxes	28,048	53,299
Minority interest	15,107	20,719
	1,741,174	1,894,063
Net earnings	82,181	87,640
Dividend requirement on preferred stock	1,412	1,521
Net earnings applicable to common and common equivalent shares	$ 80,769	$ 86,119
Earnings per share:		
Per average common and common equivalent share	$ 2.50	$ 2.68
Assuming full dilution	$ 2.31	$ 2.43

Consolidated Statements of Additional Paid-In Capital

(In thousands)

	1975	1974
Amount at beginning of year	$ 122,616	$ 117,486
Add (deduct):		
Capital in excess of par or stated value of shares issued upon:		
Conversion of Special Stock, Series A into common	6,113	3,582
Conversion of preferred stock into common	797	1,325
Conversion of bonds of a subsidiary into common	92	177
Exercise of employees' stock options and stock purchase plans	7	81
Other adjustments, principally from issuance of stock by subsidiaries	(4,015)	(35)
Amount at end of year	$ 125,610	$ 122,616

Consolidated Statements of Retained Earnings

(In thousands)

	1975	1974
Amount at beginning of year, as previously reported	$ 376,506	$ 309,280
Adjustments applicable to prior years to reflect:		
Adoption of the equity method of accounting by a subsidiary	(4,563)	189
Change in method of foreign currency translation	(4,478)	(6,388)
Amount at beginning of year, as restated	367,465	303,081
Net earnings	82,181	87,640
	449,646	390,721
Deduct:		
Dividends:		
Preferred	1,419	1,530
Common (1975—$.85; 1974—$.80 per share)	24,111	21,726
Reissuance of treasury stock	2,305	—
	27,835	23,256
Amount at end of year	$ 421,811	$ 367,465

See accompanying Notes to Financial Statements.

Consolidated Balance Sheets

(In thousands)

	December 31, 1975	December 31, 1974 (Note 2)
Assets		
Current assets:		
Cash, including certificates of deposit, commercial paper, and Treasury bills (1975—$64,410; 1974—$56,338)	$ 117,635	$ 99,879
Accounts receivable, less allowance (1975—$7,622; 1974—$8,232)	287,827	284,107
Inventories	157,532	194,510
Prepaid expenses and other current assets	37,425	41,338
Total current assets	600,419	619,834
Restricted cash deposits (1975—$811; 1974—$5,986), **investments, and noncurrent accounts and notes receivable**	29,083	49,622
Land held for sale or development	28,553	25,251
Subsidiaries at equity, joint ventures and cooperatives	95,931	80,725
Property, plant and equipment	1,722,722	1,607,742
Less accumulated depreciation and amortization	435,686	457,783
Net property, plant and equipment	1,287,036	1,149,959
Deferred charges, less amortization	22,926	20,855
Operating rights and other intangibles, net	45,389	38,408
Total assets	$2,109,337	$1,984,654
Liabilities and Shareholders' Equity		
Current liabilities:		
Notes payable	$ 52,437	$ 69,100
Accounts payable and accrued liabilities	274,829	260,237
Income taxes	32,729	42,471
Long-term debt—current maturities	67,288	56,795
Total current liabilities	427,283	428,603
Long-term debt, excluding current maturities	756,858	711,764
Other liabilities, principally utility construction advances	132,305	130,468
Deferred income taxes	18,762	37,020
Minority interest in subsidiaries	167,544	124,322
Shareholders' equity:		
Series preferred stock	25,619	26,537
Series preference stock	29,906	37,273
Common stock	36,985	35,603
Additional paid-in capital	125,610	122,616
Retained earnings	421,811	367,465
	639,931	589,494
Less shares in treasury, at cost	33,346	37,017
Total shareholders' equity	606,585	552,477
Total liabilities and shareholders' equity	$2,109,337	$1,984,654

See accompanying Notes to Financial Statements.

Consolidated Statements of Changes in Financial Position

(In thousands)

	Years ended December 31, 1975	1974 (Note 2)
Sources of funds:		
Net earnings	$ 82,181	$ 87,640
Add net charges not requiring funds, principally depreciation, amortization, minority interest, etc.	56,632	106,199
Provided from operations	138,813	193,839
Disposition of property, plant and equipment	96,155	39,373
Disposition of other noncurrent assets	26,058	28,477
Issuance of long-term debt	253,850	232,301
Issuance of capital stock, including treasury stock	1,024	1,813
Issuance of capital stock by a subsidiary	49,205	—
Other	9,519	4,352
Total sources	574,624	500,155
Uses of funds:		
Purchase of property, plant and equipment	297,405	252,176
Acquisition of other noncurrent assets	60,110	26,721
Reduction of long-term debt	208,756	111,364
Redemption and conversion of preferred stock	918	1,523
Purchase of treasury stock	—	62
Dividends on preferred and common stock	25,530	23,256
Total uses	592,719	415,102
Increase (decrease) in working capital	$ (18,095)	$ 85,053
Changes in working capital:		
Cash	$ 17,756	$ 31,001
Accounts receivable, less allowance	3,720	72,765
Inventories	(36,978)	52,205
Prepaid expenses and other current assets	(3,913)	13,380
Total	(19,415)	169,351
Notes payable	(16,663)	(21,957)
Accounts payable and accrued liabilities	14,592	66,913
Income taxes	(9,742)	32,968
Long-term debt—current maturities	10,493	6,374
Total	(1,320)	84,298
Increase (decrease) in working capital	$(18,095)	$ 85,053

See accompanying Notes to Financial Statements.

Notes to Financial Statements

Note 1 Summary of Significant Accounting Policies

Principles of Consolidation

The consolidated financial statements include the accounts of the Corporation and substantially all of its subsidiaries. All significant intercompany accounts and transactions have been eliminated in consolidation. Investments in unconsolidated majority-owned subsidiaries and investments in companies and joint ventures owned more than 20% are accounted for on the equity basis, and the appropriate portion of the earnings of such companies is included in consolidated earnings.

In 1975, a new method of accounting for the translation of foreign currency financial statements was adopted in accordance with Financial Accounting Standard (FAS) No. 8. Although FAS 8 is effective for fiscal years beginning on or after January 1, 1976 the Corporation has elected earlier application as encouraged by the Financial Accounting Standards Board. See Note 2 for the effect of the change in accounting principle.

In 1975, the Corporation's agribusiness subsidiary adopted the equity method of accounting for its interest in a cooperative. See Note 2 for the effect of the change in accounting principle.

Inventories

Inventories generally are stated at the lower of cost or market. Due to diversified operations, several bases of determining cost are used.

Merchandise and commodities inventories of a 53% -owned subsidiary include items valued on the last-in, first-out (LIFO) basis with an aggregate cost of $6,652,000 and $7,271,000 at December 31, 1975 and 1974, respectively, which is approximately $6,290,000 and $11,250,000 less than the cost of such inventories valued on the first-in, first-out (FIFO) basis for the two years, respectively. There was no material effect on the 1975 and 1974 earnings from the invasion of the LIFO inventory layers.

Property, Plant and Equipment

Property, plant and equipment are recorded at cost. Depreciation is provided principally on the straight-line basis, except for certain ocean shipping subsidiaries which use the declining-balance method, over the estimated useful lives of the related assets. Upon sale or retirement of non-utility properties, costs and related depreciation are eliminated and gains or losses are recorded. Upon sale or retirement of depreciable utility properties, costs are transferred to accumulated depreciation and no gain or loss is recognized.

Certain of the Corporation's non-utility subsidiaries have established policies of capitalizing interest costs, at approximate current borrowing rates, incurred in connection with construction or development of fixed assets, mainly ocean vessels, in order to distribute such costs over the revenue-producing lives of the assets.

Interest and other overhead costs of $16,641,000 in 1975 and $12,254,000 in 1974, relating principally to the construction of utility plant and vessels, were capitalized.

Operating Rights and Other Intangibles

Operating rights and other intangibles consist of: (a) trucking companies' operating rights, (b) net excess of cost of investments in subsidiaries over underlying net assets; and (c) other intangibles.

Intangibles having a limited life are amortized over their useful lives. The excess of the cost of investments in subsidiaries over net assets of companies acquired is not being amortized, except that portion relating to companies acquired after October 31, 1970, as long as there is no present indication that such excess has a determinable life or existence.

Pension Plans

The Corporation and certain of its subsidiaries have various insured or trusteed pension plans, some of which require employee contributions. These plans generally provide for normal retirement at age 65. Unfunded past service liabilities are amortized over periods not exceeding 40 years. It is the Corporation's general policy to fund pension costs accrued.

Based on the latest actuarial reports, the total unfunded past service liabilities amount to approximately $46,422,000 and unfunded vested benefits are estimated to be $10,760,000. Total pension costs charged against earnings were $11,553,000 during 1975 and $10,830,000 during 1974.

Management is taking steps to comply with the requirements of the Pension Reform Act of 1974. Compliance with such requirements will not have a significant effect on pension expense, funding of pension costs or unfunded vested benefits.

Income Taxes

Provision is made for deferred income taxes and future income tax benefits applicable to timing differences between book and taxable income, except that certain utility subsidiaries are claiming depreciation and certain other expenses for income tax purposes in excess of the amounts recorded in the accounts without providing for the related income tax deferral. In setting rates, these utilities recover only income taxes payable currently.

Certain subsidiaries operate in countries where their earnings are substantially free of taxation or are taxed at rates effectively lower than in the United States. Income taxes have been provided on that portion of the earnings of such subsidiaries considered not to be continuously reinvested outside the United States. See Note 10.

Investment tax credits are accounted for by the flow-through method, except that utility subsidiaries allocate the credits over the depreciable lives of the related assets.

Earnings Per Share

Earnings per share are based on the average number of shares of both common and Special Stock, Series A out-

standing each year, and the dilutive effect of stock option and stock purchase plans, and warrants. The Special Stock, Series A has been included on a basis equivalent to 2.7372 and 2.6318 common shares of the Corporation for 1975 and 1974, respectively, the applicable conversion rates.

Fully-diluted earnings per share reflect, in addition to the primary computation, (a) the conversion of convertible preferred stock and convertible bonds, (b) the elimination of the dividend requirements on such convertible preferred stock and the interest, net of income taxes, applicable to the convertible bonds, and (c) the conversion of Special Stock, Series A at the rates in effect 10 years after each period.

Note 2 Change in Accounting Methods

As indicated in Note 1, the Corporation changed its method of accounting for currency translation of financial statements of non-United States subsidiaries which resulted in an increase in earnings of $4,671,000 in 1975. Also, a subsidiary of the Corporation adopted equity accounting for its interest in a cooperative which resulted in an increase in earnings of $4,340,000 in 1975.

Revenues and other income and net earnings for 1974 have been restated to give effect to the changes in accounting methods as follows:

	Revenues and other income	Net Earnings
Amounts previously reported	$2,001,035,000	$90,482,000
Translation of financial statements of non-United States subsidiaries	—	1,910,000
Equity accounting by a subsidiary for its interest in a cooperative	(19,332,000)	(4,752,000)
Amounts restated	$1,981,703,000	$87,640,000

Primary earnings per share increased $.28 in 1975 and decreased $.09 in 1974 due to the change in these accounting methods.

	1975	1974
Primary earnings per share before accounting changes	$2.22	$2.77
Translation of financial statements of non-United States subsidiaries	0.14	0.06
Equity accounting by a subsidiary for its interest in a cooperative	0.14	(0.15)
Primary earnings per share	$2.50	$2.68

The adoption of FAS 8 and the change to the equity method of accounting by a subsidiary for its interest in a cooperative reduced retained earnings for years prior to 1974 by $6,199,000 and in 1974 by $2,842,000.

Note 3 Business Combinations and Dispositions

During 1975 and 1974, the Corporation acquired, in purchase transactions, several companies for notes and cash amounting to an aggregate consideration of $27,108,000 and $31,319,000, respectively. The operations of the companies are included in the consolidated financial statements from the dates of acquisition. The results of operations for 1975 and 1974 would not have been significantly influenced had these companies been consolidated as of January 1, 1974.

During the two years ended December 31, 1975, the Corporation disposed of seven manufacturing companies, one food distribution company and certain other small companies. The revenues and net earnings of such dispositions for the two years ended December 31, 1975 were as follows:

	1975	1974
Revenues	$182,893,000	$285,827,000
Net Earnings	5,001,000	12,201,000

Note 4 Non-United States Operations

A summary of significant items with respect to non-United States operations is as follows:

	1975				1974 (See Note 2)			
	Net Current Assets	Total Assets	Revenues	Net Earnings	Net Current Assets	Total Assets	Revenues	Net Earnings
Canadian-Electric and Gas	$(19,205,000)	$ 548,644,000	$198,929,000	$ 23,564,000	$ (7,442,000)	$454,138,000	$142,060,000	$11,941,000
Various countries—								
Ocean shipping	21,002,000	457,751,000	137,173,000	15,337,000	8,639,000	330,040,000	202,591,000	44,229,000
Other non-U.S.	13,433,000	94,837,000	117,394,000	4,512,000	14,170,000	83,846,000	101,252,000	9,209,000
Total non-U.S.	$ 15,230,000	$1,101,232,000	$453,496,000	$ 43,413,000	$ 15,367,000	$868,024,000	$445,903,000	$ 65,379,000

Total foreign exchange gains amounted to $7,128,000 and $2,024,000 in 1975 and 1974, respectively.

Note 5 Income Presentation

Included in revenues and other income are net product sales of $968,645,000 and $1,150,382,000 for 1975 and 1974, respectively.

Included in other income are the following significant items:

	1975	1974
Interest and dividends	$ 8,736,000	9,712,000
Gain on sale of oil and gas properties	20,162,000	—
Gain on ships sold	1,177,000	8,365,000
Gain (loss) on sale or exchange of investments and certain other assets	1,718,000	(5,087,000)
Provision for loss on a receivable	(9,026,000)	—
Operations of divested subsidiaries	1,555,000	—

During 1975, the Corporation sold several subsidiaries at a gain of $950,000 after application of reserves of $14,000,000 provided in prior years. Income taxes recoverable of $321,000 have been recorded with respect to these dispositions. Income taxes with respect to the sale of oil and gas properties were $7,747,000.

During 1974, the Corporation sold various subsidiaries and certain other assets resulting in a gain of $6,589,000 after application of reserves of $5,000,000 provided in prior years. Income taxes of $1,982,000 were recorded with respect to these dispositions. A reserve of $11,676,000 and related tax benefits of $1,601,000 were provided for anticipated losses on future dispositions of subsidiaries and certain other assets.

A provision of $9,026,000 was made during 1975 for a loss on a receivable of the Corporation. Tax benefits of $3,470,000 were recorded on this charge.

The pretax operating results of divested subsidiaries have been included in other income from the respective dates the Corporation committed itself to dispose of the companies.

Also, in 1975 and 1974 the Corporation's 53%-owned subsidiary recorded losses in connection with the proposed sale of a hotel and wrote off costs related to land development projects aggregating $6,879,000 in 1975 and $3,887,000 in 1974 after related income taxes of $6,404,000 and $3,754,000, respectively. These costs were charged to cost of products sold and other operating costs and expenses in the consolidated statements of earnings.

See Note 2 concerning the effect of changes in accounting methods and Note 10 concerning the reversal of income taxes provided in prior years.

Note 6 Inventories

The summary of inventories at December 31, 1975 and 1974 is shown in the table to the right.

	1975	1974
Finished products	$ 63,948,000	$ 58,148,000
Work in process	6,855,000	40,250,000
Raw materials and supplies	39,832,000	49,924,000
Merchandise and commodities	37,566,000	38,325,000
Other	9,331,000	7,863,000
	$157,532,000	$194,510,000

Note 7 Subsidiaries at Equity, Joint Ventures and Cooperatives

Subsidiaries at equity, joint ventures and cooperatives are shown in the table below.

	Carrying Value	
	1975	1974
Subsidiaries at equity	$12,822,000	$15,455,000
Joint ventures, principally partnerships in vessels	64,148,000	45,383,000
Capital stock of cooperatives	19,889,000	22,452,000
Provision for loss	(928,000)	(2,565,000)
	$95,931,000	$80,725,000

Dividends received from these sources were $2,991,000 in 1975 and $5,281,000 in 1974.

In certain joint ventures in which certain ocean shipping subsidiaries are participants, a director of the Corporation and certain directors and officers of the ocean shipping subsidiaries also are venture participants. The ocean shipping subsidiaries' equity in the operating earnings (loss) of these ventures was $181,000 in 1975 and $(216,000) in 1974. The directors' and officers' equity in the operating earnings (loss) was $30,000 in 1975 and $(176,000) in 1974. In addition, one of these ventures sold a vessel in 1975 and the ocean shipping subsidiaries' equity in the gain was $990,000 and the directors' and officers' equity was $1,716,000.

Note 8 Property, Plant and Equipment

The summary of property, plant and equipment at December 31, 1975 and 1974 is shown in the table to the right.

	1975	1974
Ocean shipping	$ 387,606,000	$ 298,009,000
Land transportation	175,043,000	169,152,000
Distribution services	42,581,000	43,561,000
Utility services	830,358,000	747,800,000
Industrial products and services	104,622,000	100,689,000
Agribusiness products and services	169,688,000	146,917,000
Other	12,824,000	101,614,000
	$1,722,722,000	$1,607,742,000

Note 9 Debt

Short-term notes payable at December 31, 1975 and December 31, 1974 have an average interest rate of 8% and 11%, respectively, and represent borrowings by subsidiaries under lines of credit of which $30,869,000 and $4,700,000, respectively, are secured. During 1975 and 1974 the maximum borrowings under short-term credit arrangements amounted to $110,000,000 and $143,000,000, respectively; the average borrowings under these agreements were $59,000,000 and $109,000,000, respectively, and had weighted average interest rates of 8% and 11%, respectively. At December 31, 1975 unused short-term credit facilities amounted to $133,000,000 and unused long-term credit facilities amounted to $85,000,000.

Long-term debt at December 31, 1975 and 1974 payable by subsidiaries, is summarized as follows:

	1975	1974
FIRST MORTGAGE BONDS:		
Due 1975 to 1996; 3½% to 9¾% (weighted average interest rate 1975—6.4%; 1974—6.4%)	$124,114,000	$132,363,000
OTHER:		
SECURED:		
Due 1975 to 2000; 5% to 14½% (weighted average interest rate 1975—7.8%; 1974—7.7%)	260,091,000	205,139,000
UNSECURED:		
Due 1975 to 2000; 4¾% to 13½% (weighted average interest rate 1975—8%; 1974—10%)	439,941,000	431,057,000
	824,146,000	768,559,000
Less current maturities	67,288,000	56,795,000
	$756,858,000	$711,764,000

The mortgage bonds and secured debt are subject to various indentures and agreements requiring, among other things, either the mortgaging of properties, the pledging of investments in subsidiaries, or in certain instances, a combination of both. Sinking fund requirements and installments of long-term debt maturing in the years 1977, 1978, 1979 and 1980 amount to approximately $98,667,000, $80,126,000, $93,878,000, and $89,180,000, respectively, after deducting bonds which have been repurchased and excluding requirements which may be satisfied by certification of property additions.

The Corporation maintains cash balances at certain banks related, in part, to the outstanding balance of certain bank loans and, in part, to anticipation of future credit negotiations. At December 31, 1975 the bank collected balance under such arrangements, as reported by the respective banks, was approximately $44,000,000 and the related book balance was approximately $36,000,000. The aggregate average bank collected balance, as reported by the respective banks, maintained during 1975 was approximately $46,000,000 and the related average month-end book balance was approximately $39,000,000. These funds are not subject to withdrawal restrictions.

The bond indentures and note agreements executed by the Corporation and certain subsidiaries place limitations on the Corporation and its subsidiaries, including restrictions on the payment of dividends. Of the consolidated retained earnings at December 31, 1975 approximately $134,000,000 was free from such restrictions.

Note 10 Income Taxes

The components of the provision for income taxes for the years ended December 31, 1975 and 1974 are as follows:

	1975	1974
Current:		
Federal	$30,792,000	$32,284,000
State and local	5,228,000	5,465,000
Non-U.S.	14,784,000	10,122,000
Investment tax credit	(2,882,000)	(2,992,000)
	47,922,000	44,879,000
Deferred:		
Federal	(20,846,000)	5,666,000
State and local	(587,000)	857,000
Non-U.S.	1,559,000	1,897,000
	(19,874,000)	8,420,000
	$28,048,000	$53,299,000

The sources of the differences between earnings for financial statement purposes and tax purposes and the tax effects thereof were as follows:

	1975	1974
Excess (book over tax) tax over book depreciation	$(1,826,000)	$ 6,054,000
Excess of book revenues over tax revenues from sugar sales (included in current liabilities)	(1,784,000)	7,404,000
Provision for loss on investments and other assets	(7,506,000)	(3,981,000)
Reversal of previously provided deferred taxes on foreign earnings	(7,976,000)	—
Other	(782,000)	(1,057,000)
	$(19,874,000)	$8,420,000

The Corporation's effective tax rates of 25.4% and 37.8% for the years 1975 and 1974 respectively, were less than the United States income tax rate of 48% for the following reasons:

	1975	1974
Federal income tax rate	48.0 %	48.0 %
Earnings from non-United States subsidiaries continuously reinvested outside the United States	(8.6)%	(9.0)%
Accelerated depreciation and other expenses claimed by utility operations	(6.3)%	(7.3)%
Investment tax credit	(2.6)%	(2.1)%
Minority interest with no tax effect	6.6 %	7.1 %
State and local income taxes, net of federal tax benefit	2.2 %	2.3 %
Capital gains rate	(3.6)%	—
Foreign currency translation	(2.6)%	.4 %
Reversal of previously provided deferred taxes on foreign earnings	(7.2)%	—
Other	(.5)%	(1.6)%
Effective tax rates	25.4 %	37.8 %

It is the Corporation's policy not to provide income taxes on undistributed earnings of non-United States subsidiaries since such earnings are being continuously reinvested in plant and vessels outside the United States. At December 31, 1975 the Corporation had not provided income taxes on $154,000,000 of such earnings.

In 1975, the Corporation reversed a charge for deferred income taxes in the amount of $7,976,000 made in 1973. The charge was originally made because of the anticipated repatriation of insurance proceeds with respect to a vessel owned by a non-United States subsidiary which sank in November, 1973. Such insurance proceeds have been used to satisfy obligations to non-United States parties and as a result will not be repatriated in the foreseeable future.

Note 11 Capital Stock

The authorized and issued capital stock of the Corporation at December 31, 1975 and 1974 is summarized below:

	Issued at December 31, 1975		Issued at December 31, 1974	
	Shares	Stated or par value	Shares	Stated or par value
Series preferred stock, without par value:				
Authorized 4,814,708 shares				
Issued:				
$5.00 series (in treasury at both dates-3,760 shares)	93,302	$ 9,563,000	93,302	$ 9,563,000
$1.25 convertible series (in treasury at both dates-304,532 shares) aggregate liquidation value-$26,487,000	1,059,466	16,056,000	1,120,072	16,974,000
	1,152,768	$25,619,000	1,213,374	$26,537,000
Series preference stock, without par value:				
Authorized 6,114,594 shares				
Issued-Special Stock, Series A (in treasury at both dates-176,371 shares)	1,544,633	$29,906,000	1,925,101	$37,273,000
Common stock, par value $1.25 per share:				
Authorized 60,000,000 shares; reserved for conversion of preferred stock, 1,695,145 shares; for conversion of Special Stock, Series A, 6,768,890 shares; for exercise of bonds of a subsidiary, 196,625 shares; for exercise of warrants attached to bonds of a subsidiary, 180,000 shares; and for stock option and stock purchase plans, 2,966,363 shares				
Issued (in treasury 1975-875,043 shares; 1974-1,042,397 shares)	29,587,893	$36,985,000	28,482,654	$35,603,000

During 1974, the Corporation's By-laws were amended to limit the votes which may be cast by non-citizens of the United States at any meeting of shareholders to 25 per cent of the total votes eligible to be cast.

The holders of preferred stock are entitled to cumulative dividends payable at the respective rates set out in the titles of the various series and have voting rights. The holders of the $5.00 Preferred Stock, upon liquidation or redemption, are entitled to receive the stated value plus accrued and unpaid dividends. The $1.25 Convertible Preferred Stock is redeemable any time after November 30, 1976 at $25 per share. Each share of the $1.25 Convertible Preferred Stock is convertible into 1.6 common shares.

Holders of Special Stock, Series A are not entitled to receive dividends; they have voting rights and on liquidation are entitled to receive $15 per share subject to the liquidation rights of the preferred shareholders. The Special Stock, Series A is convertible into 2.7372 and 2.6318 shares of common stock through December 31, 1976 and 1975, respectively, after which the conversion rates increase to a maximum of 4.3822 common shares on January 1, 1988. It is redeemable after December 31, 1977 at $70 per share.

Changes in capital stock during the years ended December 31, 1975 and 1974 are summarized as follows:

	1975			1974		
	Preferred	Special Stock, Series A	Common	Preferred	Special Stock, Series A	Common
Shares issued at beginning of year	1,213,374	1,925,101	28,482,654	1,313,382	2,146,482	27,740,365
Conversion of Special Stock, Series A	—	(380,468)	1,001,145	—	(221,381)	560,095
Conversion of preferred stock	(60,606)	—	96,961	(100,508)	—	160,787
Exercised under stock option and purchase plans	—	—	883	500	—	9,407
Conversion of bonds of a subsidiary	—	—	6,250	—	—	12,000
Shares issued at end of year	1,152,768	1,544,633	29,587,893	1,213,374	1,925,101	28,482,654

Changes in common treasury stock during the two years ended December 31, 1975 and 1974 consisted of the purchase of 2,061 shares of common stock in 1974 and the issuance of 167,354 shares of common stock in 1975 for the employee stock purchase plan.

Options to certain officers and employees of the Corporation and its subsidiaries were outstanding at December 31, 1975 and 1974 pursuant to a Qualified Stock Option Plan and a Nonqualified Stock Option and Stock Unit Award Plan. Options are exercisable in varying amounts over periods from one to 10 years from the date of grant, at prices from 85% to 100% of the fair market value of the stock at the date of grant.

The changes in the outstanding options during 1975 and 1974 were as follows:

	1975		1974	
	$1.25 Convertible Preferred Stock	Common Stock	$1.25 Convertible Preferred Stock	Common Stock
Shares under option at beginning of year	500	533,475	1,000	508,285
Granted	—	342,562	—	94,000
Exercised	—	—	(500)	(9,924)
Cancelled or expired	(500)	(149,123)	—	(58,886)
Shares under option at end of year	0	726,914	500	533,475
Average option price	—	$15.80	$11.88	$19.56

At December 31, 1975, there were 970,405 shares of common stock reserved for future grants.

Certain of the above qualified options for common stock, if not exercised prior to expiration date, convert into non-qualified stock options or into stock unit awards. Stock units awarded under the non-qualified plan entitle the grantee, subject to the provisions of the plan, to a cash distribution rather than common stock of the Corporation. To the extent that a grantee elects to exercise an option, his right to stock units is extinguished and vice versa. Of the 726,914 shares under option at December 31, 1975, 419,800 shares have the aforementioned features.

Under the employee stock purchase plan, 1,269,044 shares of common stock are available for future issuance to eligible employees. During 1975, 168,237 shares of common stock were purchased at approximately $8.13 per share under an offering made during 1973.

At December 31, 1975 a wholly-owned subsidiary had outstanding $3,146,000 principal amount of bonds due in 1986, which are convertible prior to maturity into common stock of the Corporation at $16 per share. In addition, at December 31, 1975 that subsidiary had outstanding $8,081,000 principal amount of bonds due in 1978 originally issued with 15,000 warrants entitling the holder to subscribe to 12 shares of common stock of the Corporation not later than April 30, 1978 at an aggregate price of $258.

Note 12 Leased Assets and Lease Commitments

Rental expense, including short-term leases and immaterial amounts of contingent rents for 1975 and 1974, was $105,830,000 and $108,720,000, respectively, of which $9,502,000 and $9,509,000, respectively, were applicable to financing leases. Sublease income from these leases, which is included in revenues and other income, was $58,857,000 and $85,270,000, respectively.

At December 31, 1975, rental commitments were offset by $90,237,000 of sublease income. At December 31, 1975, the minimum rental commitments, net of sublease income, under all noncancelable leases were approximately:

Year	Type of Property: Real Property	Terminal Facilities	Vessels	Other	Total Commitment	Financing Leases	Sublease Income
1976	$ 5,314,000	$ 2,808,000	$ 5,100,000	$7,015,000	$ 20,237,000	$3,331,000	$32,906,000
1977	4,794,000	2,366,000	6,000,000	5,729,000	18,889,000	2,851,000	27,810,000
1978	4,335,000	1,838,000	4,500,000	4,866,000	15,539,000	2,464,000	18,090,000
1979	4,009,000	1,264,000	6,100,000	3,115,000	14,488,000	6,637,000	6,963,000
1980	3,542,000	1,055,000	7,536,000	2,553,000	14,686,000	8,453,000	2,846,000
1981-85	11,798,000	2,633,000	16,167,000	5,673,000	36,271,000	27,779,000	1,269,000
1986-90	6,880,000	1,221,000	15,519,000	2,920,000	26,540,000	24,050,000	353,000
1991-95	3,097,000	1,111,000	15,519,000	225,000	19,952,000	18,442,000	—
Thereafter	3,634,000	1,074,000	6,983,000	55,000	11,746,000	10,163,000	—
	$47,403,000	$15,370,000	$83,424,000	$32,151,000	$178,348,000	$104,170,000	$90,237,000

The capitalization of financing leases during 1975 and 1974 would not have significantly influenced earnings.

The present values at December 31, 1975 and 1974 of the minimum rental commitments applicable to non-capitalized financing leases are given below.

	Weighted Average Interest Rate		Range of Interest Rates Used in Present Value Computation		Present Values of Minimum Rental Commitments	
	1975	1974	1975	1974	1975	1974
Real Property	6⅝%	5¾%	1½%-13¾%	2%-13¾%	$13,973,000	$15,346,000
Terminal Facilities	8½%	8½%	8½%	8½%	2,290,000	2,320,000
Vessels	8½%	8½%	7½%-11⅝%	7½%-11⅝%	40,054,000	41,552,000
Other	8⅜%	8½%	1⅕%-18⅝%	4¾%-18%	16,294,000	10,470,000
					$72,611,000	$69,688,000

Note 13 Commitments and Contingencies

At December 31, 1975 outstanding contractual commitments of certain subsidiaries consisted of approximately $530,000,000 for the purchase of vessels under construction or in operation; approximately $14,000,000 for the purchase of equipment and operating rights for the trucking companies; and approximately $39,000,000 for the construction of new utility plant. Mortgage financing of $162,000,000 has been arranged with respect to a portion of these commitments. A total of $193,000,000 of these outstanding contractual commitments become due for payment in 1976.

Commitments for the purchase of vessels decreased $226,000,000 from the 1974 level. This decrease is attributable, in part, to obtaining a release on two vessels under commitment in 1974. No new commitments were taken on in 1975.

Included in the commitments for construction of vessels is approximately $56,000,000 applicable to partnerships which the subsidiaries have joined with other shipowners. In addition, the subsidiaries are contingently liable to the extent of approximately $65,000,000 representing the other partners' interests in the construction contracts for these vessels.

The By-laws of the Corporation provide for the indemnification of its directors, officers, employees or agents against liability and expenses with respect to their conduct in such capacities and when serving in similar capacities for other corporations at the request of the Corporation. In the opinion of the Corporation's counsel, there is no reasonable probability at present of any substantial liabilities arising as a result of this By-law provision.

Accountants' Report

Peat, Marwick, Mitchell & Co.
CERTIFIED PUBLIC ACCOUNTANTS
1500 WALNUT STREET
PHILADELPHIA, PA. 19102

The Board of Directors and Shareholders
IU International Corporation
Wilmington, Delaware

We have examined the consolidated balance sheets of IU International Corporation (a Maryland corporation) and subsidiaries as of December 31, 1975 and 1974 and the related consolidated statements of earnings, additional paid-in capital, retained earnings, and changes in financial position for the years then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances. We did not examine the financial statements of certain consolidated subsidiaries, which statements reflect total assets constituting 7.3% and revenues constituting 9.6% of the related consolidated totals for the year 1974. These statements were examined by other auditors whose reports thereon have been furnished to us and our opinion expressed herein, insofar as it relates to the amounts included for such companies, is based solely upon the reports of the other auditors.

In our opinion, based upon our examination and in 1974 upon the reports of other auditors, the aforementioned consolidated financial statements present fairly the financial position of IU International Corporation and subsidiaries at December 31, 1975 and 1974, and the results of their operations and changes in their financial position for the years then ended, in conformity with generally accepted accounting principles applied on a consistent basis after restatement for the changes, with which we concur, in the method of accounting for currency translation of financial statements of non-United States subsidiaries and in the change by a subsidiary to the equity method of accounting for an investment in a cooperative (see Note 2 to the Financial Statements).

Peat, Marwick, Mitchell & Co.

February 27, 1976

Capital Stock Summary

The cash dividends and the high and low prices of the company's capital stock on the New York Stock Exchange are shown below. The Special Stock, Series A is not entitled to cash dividends, but is convertible into common stock at an increasing ratio.

	Common Stock			Special Stock, Series A		$1.25 Convertible Preferred Stock		
1975	Dividend	High	Low	High	Low	Dividend	High	Low
Fourth Quarter	$.21¼	10⅝	9⅛	28½	28½	$.31¼	16⅞	14¾
Third Quarter	.21¼	12⅜	10	31½	26¼	.31¼	19½	16¼
Second Quarter	.21¼	12⅝	10¾	32	28	.31¼	20	17¼
First Quarter	.21¼	12⅞	8½	32	22½	.31¼	20	13⅝
1974								
Fourth Quarter	$.21¼	10⅞	8¼	27½	21¾	$.31¼	17¼	14
Third Quarter	.21¼	13⅜	9	32½	24	.31¼	20	15
Second Quarter	.18¾	18¼	10¾	46	29	.31¼	28½	18
First Quarter	.18¾	21⅝	15⅞	51¼	41⅛	.31¼	33¾	26

The company's $5.00 Preferred Stock does not trade on an active basis; therefore, it has not been included in this table. During 1975 and 1974, bid prices were $46 and $40 per share respectively. Quarterly dividends of $1.25 per share have been paid in each quarter of 1975 and 1974.

Members of the board of directors of IU International are, left to right (standing): Ira T. Wender; The Earl of Westmorland; F. Clarence Manning (honorary director); E. B. Leisenring, Jr.; Willis S. McLeese; Robert C. Heim; (seated) Dennis K. Yorath; Lewis H. Van Dusen, Jr.; John T. Jackson; John M. Seabrook; and H. Irgens Larsen.

Directors

Robert C. Heim,† *New York, New York; Chairman of Schroder Capital Corporation (Investment banking firm)*

John T. Jackson,* *Haverford, Pennsylvania; Chairman of the Executive Committee of IU*

H. Irgens Larsen,* *Armonk, New York; Vice Chairman of IU and Chairman of Gotaas-Larsen, Inc.*

E. B. Leisenring, Jr., *Berwyn, Pennsylvania; President of Westmoreland Coal Company (Coal producing company)*

Willis S. McLeese,† *Toronto, Ontario; President of Trans Canada Freezers, Limited (Cold storage plant operators)*

John M. Seabrook,*† *Salem, New Jersey; Chairman and President of IU*

Lewis H. Van Dusen, Jr.,† *Bala Cynwyd, Pennsylvania; Senior Partner of Drinker, Biddle and Reath (Attorneys at law)*

Ira T. Wender,† *New York, New York; Senior Partner of Wender, Murase & White (Attorneys at law)*

The Earl of Westmorland, K.C.V.O., *London, England; Deputy Chairman of Sotheby & Company (Fine art auctioneers)*

Dennis K. Yorath,* *Edmonton, Alberta; Vice Chairman of IU*

* *Member of the Executive Committee of the Board of Directors*

† *Member of the Audit Committee of the Board of Directors*

Senior Officers

John M. Seabrook, *Chairman and President*

H. Irgens Larsen, *Vice Chairman of IU and Chairman of Gotaas-Larsen, Inc.*

Dennis K. Yorath, *Vice Chairman of IU*

John T. Jackson, *Chairman of the Executive Committee*

Robert F. Calman, *Executive Vice President*

James J. Burke, *Senior Vice President and Chief Financial Officer*

At the annual meeting *to be held May 5, 1976, three long-service directors, Dennis K. Yorath, Robert C. Heim, and H. Irgens Larsen, are not standing for reelection. They have served the company as directors since 1957, 1958, and 1963, respectively. Mr. Yorath has 52 years of service as an employee with the company and its subsidiaries; Mr. Heim, an investment banker, has been an outside director; Mr. Larsen was a co-founder of Gotaas-Larsen in 1946. The company is deeply appreciative of their wise counsel and many contributions over the years.*

Operating and Staff Executives

Alexis Balmy, *Vice President Management Resources*

Daniel J. Brennan, *Vice President Taxes and Insurance*

John G. Christy *Group Vice President*

Norman Gross, *Vice President Planning*

Peter Keber, *Vice President Secretary and Senior Counsel*

Victor J. Lang, Jr., *Vice President Government Affairs*

Edward J. Larese, *Vice President and Controller*

Magnus E. Robinson, *Vice President and Treasurer*

Arlen D. Southern, *Vice President Corporate Affairs*

Anson W. H. Taylor, Jr., *General Counsel*

John B. Turbidy, *Vice President Corporate Development*

Harry W. Wilcox, Jr., *Vice President*

Arthur G. Williams, *Group Vice President*

Robert W. Wolcott, Jr., *Group Vice President*

Corporate Data

Corporate Headquarters
The Wilmington Tower
1105 North Market Street
Wilmington, Delaware 19801
(302) 652-1121

Executive Offices
1500 Walnut Street
Philadelphia, Pennsylvania 19102
(215) 985-6600

Annual Meeting
The annual meeting of shareholders will be held at 11:00 a.m., Eastern Daylight Time, on Wednesday, May 5, 1976, at 100 West Tenth Street in Wilmington, Delaware. A formal notice, together with a proxy statement and form of proxy, will be mailed to shareholders in advance of the meeting.

Transfer Agents
Morgan Guaranty Trust Company of New York; Wilmington Trust Company in Wilmington; Bank of America, N. T. & S. A. in San Francisco; and Montreal Trust Company in Montreal, Toronto, Calgary, Vancouver and Regina.

Registrars
Chemical Bank in New York, Wilmington Trust Company in Wilmington, Wells Fargo Bank N.A. in San Francisco, Crown Trust Company in Montreal, Toronto, Calgary and Vancouver, and The Royal Trust Company in Regina.

Stock Exchanges
IU's capital stock is listed for trading (symbol: IU) on the following exchanges: New York, PBW, Midwest, Pacific, Toronto, Montreal, Vancouver, London, Amsterdam, Oslo and Tokyo.

Automatic Dividend Reinvestment Service
Shareholders may put their quarterly common stock dividends to work immediately by having them invested automatically in additional full or fractional shares of IU common stock. Additional cash investments may also be made conveniently. The program is administered by First National City Bank. A brochure describing the service is available from the Executive Offices of IU and from the Dividend Reinvestment Service Offices of First National City Bank, 15th Floor, 111 Wall Street, New York, New York 10015.

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